

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Devon Energy Corporation
7525 Hwy 2 NW
P.O. Box 1644
Havre, MT 59501

Township 25 North, Range 17 East
Section 35: NE $\frac{1}{4}$
Section 36: Lots 3,4, S $\frac{1}{2}$ NW $\frac{1}{4}$
316.38 Acres
Blaine County

State Tract
Section 36: Lot 4
38.13 Acres
Common Schools Trust = 100%

Devon Energy Corporation has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

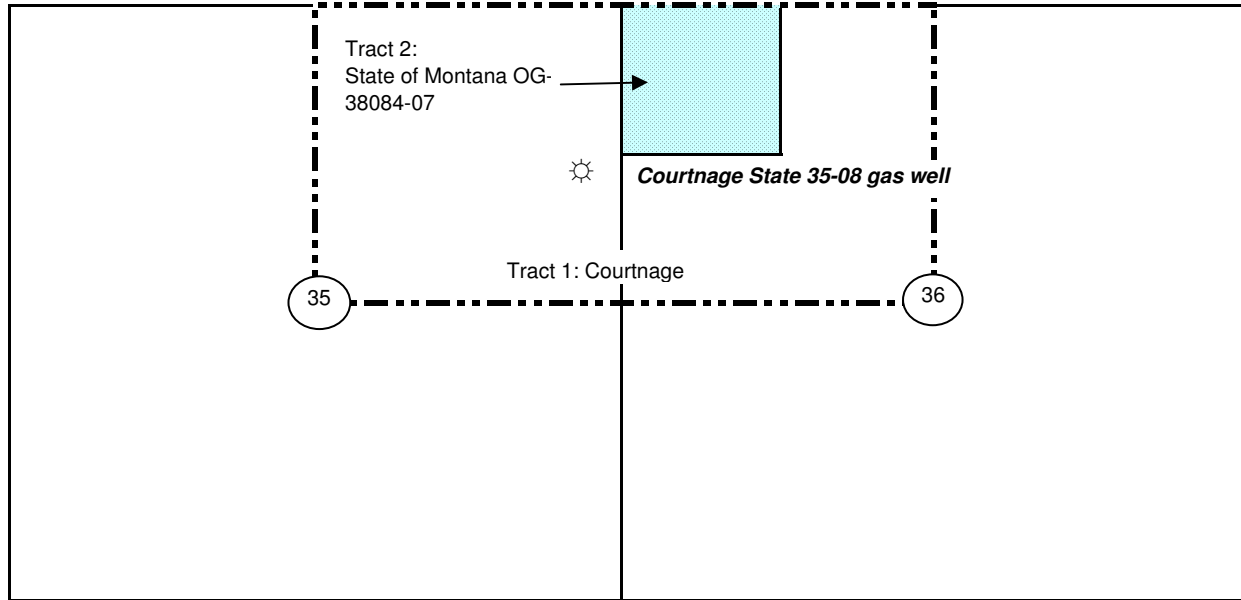
The Courtnage State 35-08-25-17 well, which is an Eagle Sand formation gas well, was drilled in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35. This spacing unit has a total of 316.38 acres. The Department owns 38.13 acres of the 316.38 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement shall include said lands from the Eagle Sand Formation only in Sections 35 & 36.

The Department's tract comprises 12.05% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 2.009% of all gas production (16.67% royalty rate x 12.05% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 25 North, Range 17 East

Sections 35 & 36 *BLAINE COUNTY*



Proposed Communitized Area

Recapitulation

<i>Tract No.</i>	<i>Type</i>	<i>Acres</i>	<i>Tract Participation</i>	<i>Royalty % (gas)</i>	<i>Owners Interest Decimal</i>
1	Courtnage	278.25	87.95%	12.50%	10.99375%
2	State of Montana OG-38084.07	38.13	12.05%	16.67%	2.00874%
Total		316.38	100.00%		

** Operator of Communitized Area: Devon Energy Production Company*